ANNUAL REPORT 1985/86

BRITISH COLUMBIA SYSTEMS CORPORATION

A PROVINCIAL CROWN CORPORATION

British Columbia Cataloguing in Publication Data

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Province of British Columbia

OFFICE OF THE MINISTER

Ministry of
Finance and
Corporate Relations

Parliament Buildings
Victoria
British Columbia
V8V 1X4

March 16, 1987

The Honourable Robert Gordon Rogers
Lieutenant-Governor of the Province of British Columbia

May it please your Honour:

The Annual Report of the British Columbia Systems Corporation for the fiscal year 1985/86 is herewith respectfully submitted.

Honourable Mel Couvelier

BOARD OF DIRECTORS

LEFT TO RIGHT: R.J. Gayton, D.M. Buchanan, W.E. Evans, Hon. J.J. Hewitt, J.R. Webber, G.J. Hook, C.D. Slade, M.J. Falkins

EXECUTIVE

W.E. Evans
President

G.F. Gabel
Vice President
Shared Services

N.E. Glassel
Vice President
Client Services and
Corporate Planning

R.N. Greer
Vice President
Client Services and
Human Resources

C.D. Slade
Vice President
Advanced Systems
Centre

J.G. Hayes
Executive Director
Finance and
Administration

BOARD OF DIRECTORS

G.J. HOOK
Geoffrey J. Hook Consulting Services
Victoria, BC
Chairman of the Board

HON. J.J. HEWITT
Minister of Education
Province of British Columbia
Victoria, BC
Director and Minister Responsible

D.M. BUCHANAN
Penticton, BC
Director

W.E. EVANS
President and Chief Executive Officer
British Columbia Systems Corporation
Victoria, BC
Director

M.J. FALKINS
Senior Vice President
Falkins, McIntosh, Reed, Stenhouse
Victoria, BC
Director

R.J. GAYTON
Partner
Peat, Marwick, Mitchell & Co.
Vancouver, BC
Director

J.R. WEBBER
Partner
Webber and Company
Kamloops, BC
Director

B.H. GRAY
Secretary to the Board
Resigned February 14, 1986

C.D. SLADE
Secretary to the Board
Appointed February 14, 1986

EXECUTIVE

W.E. EVANS
President and Chief Executive Officer

G.F. GABEL
Vice President
Shared Services

N.E. GLASSEL
Vice President
Client Services and Corporate Planning

R.N. GREER
Vice President
Client Services and Human Resources

C.D. SLADE
Vice President
Advanced Systems Centre

J.G. HAYES
Executive Director
Finance and Administration

CORPORATE ADDRESSES

CORPORATE HEADQUARTERS
4000 Seymour Place
Victoria, BC
V8X 4S8

VANCOUVER BRANCH
601 West Broadway
Vancouver, BC
V5Z 4C2

PHOENIX
PHOENIX
INFORMATION
BOOK

CHAIRMAN'S MESSAGE

In 1985/86, BC Systems made significant progress towards re-building its position as the focal point for information systems in government. In many ways it was the Corporation's best year ever.

With the clarification of the Corporation's service mandate, a new sense of direction emerged. The general strategy of building on our strengths, and providing high quality services at competitive rates, was well accepted.

Relationships with ministry clients improved greatly. Valuable input was received by opening up lines of communication and listening to what ministries had to say about their data processing requirements.

The Corporation also dramatically improved its financial performance in 1985/86. This financial turnaround makes it possible to reduce prices and lower costs of data processing to government in the coming year.

With its new focus and renewed confidence, BC Systems is positioned for the future. Our challenge is to find even better ways to utilize systems technology to assist government in meeting its objectives. I have no doubt that we will be successful.

On behalf of the Board of Directors, I wish to thank the staff and management of the Corporation for their contribution to a year of considerable improvements.

G.J. Hook
Chairman of the Board

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PRESIDENT'S REPORT

The past year was an excellent one for the BC Systems Corporation. Client relationships improved, business increased and profitability returned.

A new service mandate emerged allowing BC Systems to take a new approach to its business. The Corporation adopted a strong service orientation and a competitive pricing policy, which was welcomed by our clients.

In 1985/86, the Corporation sought the input of its clients on numerous issues, through its User Review Committee. Special committees of senior government officials were struck to address important issues of mutual interest. This created a sense of trust and understanding between BC Systems and its clients. Our relationship with clients has never been better.

The financial performance of the Corporation was the strongest in its history. A net profit of $2.7 million was recorded in 1985/86, compared to losses of $1.4 million in each of the previous two years. This financial turnaround was accomplished by reducing corporate overheads and responding efficiently to new client demands.

Renewed profitability made it possible for the Corporation to announce a price reduction averaging 20%; for implementation April 1, 1986. This greatly improves the competitiveness of BC Systems products and services.

Shared mainframe processing revenues increased by 21% to $37.5 million; shared distributed processing revenues increased by 55% to $757,000; and data communication revenues increased by 20% to $3.1 million. Revenue per employee, including contracted facilities management staff, was $105,000 in 1985/86 compared to $90,000 in the previous year; an increase of 17%. These figures demonstrate the economies of scale in providing data processing services.

General administrative expenses were down significantly from the previous year even though work volumes increased significantly. The number of nonbillable overhead staff was reduced by 16% during the year and the number of staff involved in providing billable services increased 9%.

The Corporation introduced several new products and services in 1985/86 to respond to the needs of its clients.

In the shared mainframe computing centre, processing capacity was increased by 25% to keep pace with client demand. A relational data base product was also introduced.

In the mini computing environment, the Corporation introduced shared processing on three different types of mini computers: IBM 4300 VM, Digital - Vax and Wang VS. This service has been very popular among our clients as it is a very efficient supplement to their own inhouse data processing capabilities.

In the data communications area, a new distributed network, called DNET (Distributed Network) was introduced for the Corporation's non SNA (Systems Network Architecture) based clients. This is a complementary service to our existing large SNA network, and is offered jointly with the Ministry of the Provincial Secretary's Telecommunications Branch.

Two new professional services were also introduced last year. Information system auditing and security services are now available to clients on a fee for service basis.

Internally, several initiatives were undertaken to improve communication and increase staff involvement in decision-making. A survey of employee attitudes was completed to provide benchmark information. Semi-annual "Dialogue" sessions were introduced to bring staff up to date on major initiatives and issues affecting the Corporation. Employee "Action Teams" were established to make recommendations to the Executive on specific issues. Work began on a Quality Circle program and an Employee Recognition program. The Corporation also reintroduced a quarterly newsletter.

These initiatives have been effective in building a team approach at BC Systems. This in turn has had a very positive effect on the Corporation's overall performance.

The reporting year 1985/86 saw some changes to the Board of Directors. In April, Mr. G.J. Hook was appointed Chairman of the Board and Mr. D.M. Buchanan was appointed as a Director. Resigning from the Board in 1985/86 were Mr. D.L. Emerson, former Acting Chairman, and Mr. B. Sangster. On behalf of the staff and management of BC Systems, I would like to thank Mr. Emerson and Mr. Sangster for their outstanding contributions to the Corporation, and to thank the current Directors for their enthusiastic support and excellent direction over the past year.

I would also like to thank the staff of BC Systems. Without their hard work and dedication, revitalization of the Corporation would not have been possible.

W.E. Evans
President and
Chief Executive Officer

USER REVIEW COMMITTEE REPORT

On behalf of the User Review Committee, I am pleased to report on activities of the past year.

The primary role of the User Review Committee is to advise the Board of Directors on the performance of the Corporation. I am pleased to report that the Committee was very satisfied with the many positive initiatives undertaken by the Corporation during 1985/86. We were satisfied not only with the initiatives themselves, but also with the manner with which they were undertaken. The advice and counsel of the user community through the User Review Committee was welcomed during development of the initiatives.

In particular, the Committee welcomed the new mandate of BC Systems as a service organization. Removal of the control role from the Corporation eliminated the concerns that detracted from a harmonious relationship between the Corporation and its users.

Members of the User Review Committee served on the following committees: Performance Evaluation Board, Systems Employee Classification, Telecommunications, Disaster Recovery, Staff Charge-out Rates and Staff Establishment Control. I personally would like to extend my thanks for the many hours the members offered to assist in the work of these committees.

The User Review Committee reviewed the proposed Information Systems Management Framework for the provincial government and proposed many significant amendments. We continue to hold the view that information as a resource should receive the same treatment as any other resource a manager requires to successfully implement a program.

During the past year, the Committee completed an internal reorganization. The following standing committees were struck: Evaluation, User Planning, and Priorities. Each of these standing committees will ensure that the work of the User Review Committee will result in the best possible advice being provided. The membership of the Committee was expanded to include a representative from all ministries so that each could contribute directly to the activities of the Committee.

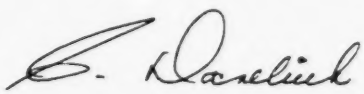
A greater number of issues related to information systems management are being forwarded to the User Review Committee for resolution. The Committee welcomes this challenge and is prepared to respond with quality and alacrity.

The User Review Committee was pleased to receive the Chairman of the Board of Directors, BC Systems, at some of its meetings. The sharing of the Board of Director's strategic and tactical direction assisted the Committee in its work.

A special thanks is extended by the User Review Committee to the executive staff of BC Systems for their cooperation, assistance and support.

It is our belief that the reorganized Committee is well positioned to assist the Corporation in meeting its mandate. Our hope for the future is that advice from the User Review Committee will be sought and relied on more frequently.

Carl Daneliuk
Chairman
User Review Committee

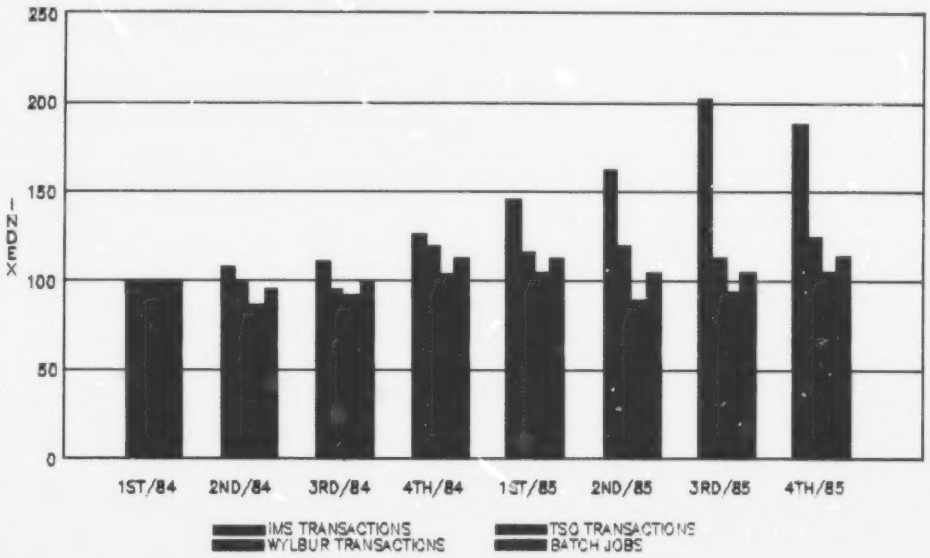


Carl Daneliuk
Chairman
User Review Committee

KEY INDICATORS

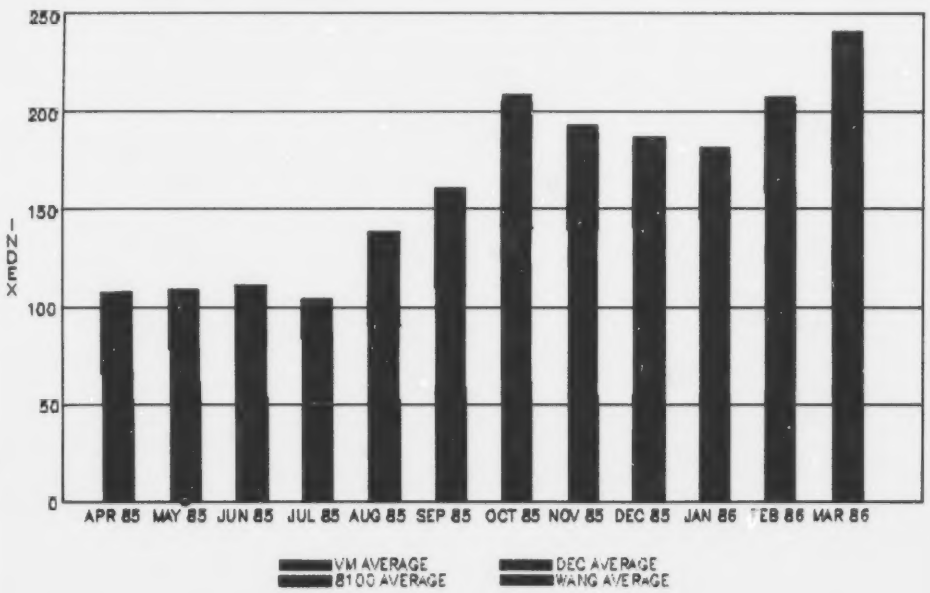
The following charts show the growth in the work volumes in each of the major service areas. The Corporation continued to experience strong growth in each of its service areas, and expects this trend to continue in 1986/87.

SHARED MAINFRAME PROCESSING VOLUMES



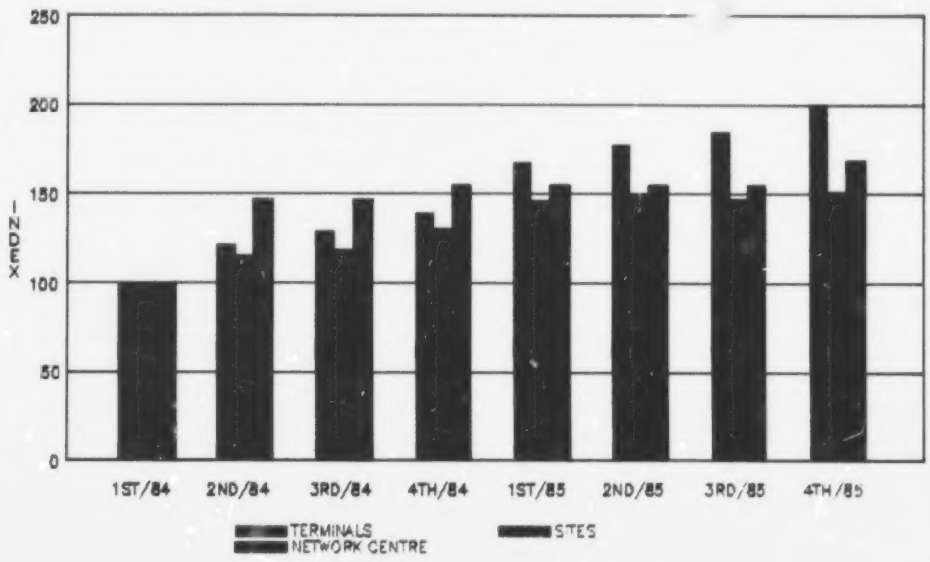
INDICES BASED ON 100 FOR THE 1ST QUARTER, 1984

SHARED MINICOMPUTER PROCESSING VOLUMES



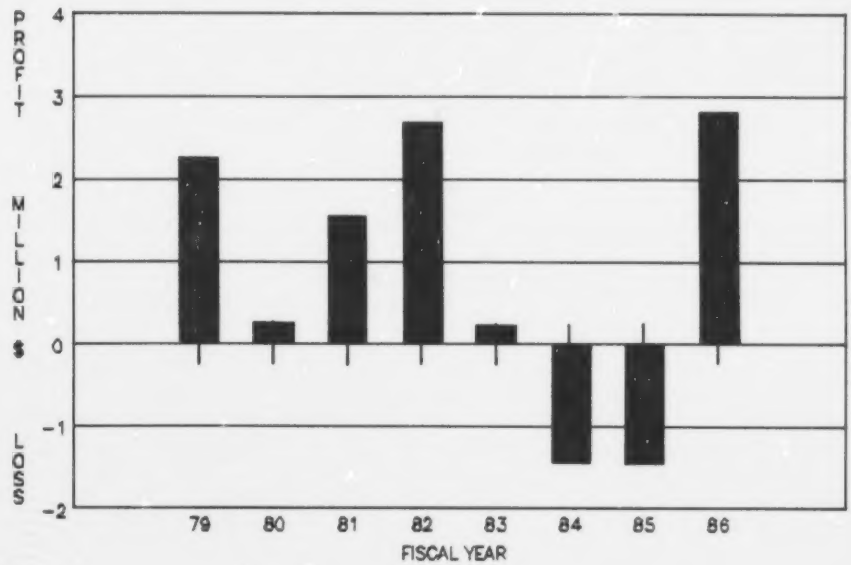
CHARTS PRODUCED ON BC SYSTEMS MAINFRAME COMPUTER

DATA COMMUNICATIONS NETWORK VOLUMES



INDICES BASED ON 100 FOR THE 1ST QUARTER, 1984

NET PROFIT 1978/79 - 1985/86



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Victoria, Canada.
May 26, 1986.

The Honourable James J. Hewitt,
Minister of Education,
Province of British Columbia:

We have examined the balance sheet of the British Columbia Systems Corporation as at March 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Chartered Accountants.

BALANCE SHEET

March 31, 1986

British Columbia Systems Corporation
(Incorporated as a Crown Corporation under the System Act R.S.B.C. 1979)

ASSETS

($000's)

	1986	1985
Current:		
Cash	**$ 2,034**	$ 1,764
Accounts receivable	**10,344**	16,066
Prepaid expenses	**307**	216
Total current assets	**12,685**	18,046
Fixed, at cost:		
Land	**6,917**	6,917
Building	**31,227**	30,708
Computer and ancillary equipment (note 3)	**29,130**	21,201
Furniture and fixtures	**1,886**	2,030
Leasehold improvements	**151**	26
Deposit on equipment		2,535
	69,311	63,417
Less accumulated depreciation and amortization (note 3)	**17,517**	10,838
Net fixed assets	**51,794**	52,579
Other:		
Deferred foreign exchange translation loss (note 6(b))	**628**	1,040
	$65,107	$71,665

Approved by the Directors:

Director

Director

(see accompanying notes)

BALANCE SHEET

March 31, 1986

LIABILITIES

($000's)

	1986	1985
Current:		
Notes payable, Province of British Columbia (note 5)	**$ 2,000**	
Accounts payable and accrued charges	**6,635**	$17,132
Deferred revenue	**486**	
Current portion of long-term debt (note 6):		
Lease capitalization	**3,310**	2,556
Other	**16,491**	579
Total current liabilities	**28,922**	20,267
Long-term debt (note 6):		
Lease capitalization	**3,253**	4,804
Other	**23,068**	39,438
Note payable	**10,000**	10,000
	36,321	54,242
Deficit (note 7)	**(136)**	(2,844)
	$65,107	$71,665

STATEMENT OF INCOME AND DEFICIT

March 31, 1986

British Columbia Systems Corporation

($000's)

	1986	1985
Revenue:		
Processing	**$37,221**	$30,470
Labour	**12,899**	11,683
Net services purchased for clients	**616**	2,263
Interest and other income	**1,164**	1,394
Total revenue	**51,900**	45,810
Expenses:		
Employee	**16,856**	17,848
Equipment rental and maintenance	**4,376**	5,743
Administrative and general	**3,500**	4,130
Depreciation and amortization	**7,579**	5,813
Interest on debt	**10,058**	9,195
Facilities management fees (note 11)	**6,823**	4,114
Total expenses	**49,192**	46,843
Net income (loss) before extraordinary items	**2,708**	(1,033)
Extraordinary items		(394)
Net income (loss) for the year	**2,708**	(1,427)
Deficit, beginning of year	**(2,844)**	(1,417)
Deficit, end of year	**$ (136)**	$ (2,844)

(see accompanying notes)

STATEMENT OF CHANGES IN FINANCIAL POSITION March 31, 1986

British Columbia Systems Corporation

For the year ended March 31, 1986

($000's)

	1986	1985
Cash provided by (used in) operating activities:		
Net income (loss) before extraordinary items	**$ 2,708**	$ (1,033)
Add (deduct) items not requiring a current cash payment:		
Depreciation and amortization	**7,579**	5,813
Deferred foreign exchange translation loss	**779**	368
Depreciation included in services purchased for clients	**681**	
Loss on disposition of fixed assets	**154**	
Net change in non-cash working capital balances related to operations	**1,363**	4,286
Extraordinary items		(394)
Deduct items included therein not requiring a current cash payment		(104)
Cash provided by operating activities	**13,264**	8,936
Cash provided by (used in) investment activities:		
Additions to fixed assets	**(7,928)**	(9,505)
Proceeds on disposition of fixed assets	**299**	637
Changes in accounts payable for fixed asset purchases	**(5,743)**	5,841
Cash used in investment activities	**(13,372)**	(3,027)
Cash provided by (used in) financing activities:		
Long-term debt reductions	**(3,618)**	(2,870)
Additions to long-term debt	**1,996**	1,304
Short-term borrowings, net of repayments	**2,000**	
Cash provided by (used in) financing activities	**378**	(1,566)
Increase in cash	**270**	4,343
Cash (bank indebtedness), beginning of year	**1,764**	(2,579)
Cash, end of year	**$ 2,034**	$ 1,764

(see accompanying notes)

British Columbia Systems Corporation

1. The Corporation

The British Columbia Systems Corporation is incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979, to advance the effective and efficient use of information systems in government, by providing shared computer processing services, data communication services and other professional services. In 1986, the Corporation received 95% of its revenues from Provincial Government Ministries with the balance from other Government entities.

2. Significant accounting policies

As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Accrual accounting:

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenditures are recorded in the period they are incurred.

b) Fixed assets:

The Corporation leases some of its computer equipment. Certain of these leases, however, transfer the benefits and risks incident to ownership to the Corporation. In such cases, as more fully described in notes 3 and 6, the leases have been capitalized.

The costs of fixed assets are depreciated and amortized over their estimated useful lives as follows:

Building	- over 40 years, on a straight-line basis
Building plant and equipment	- over 20 years, on a straight-line basis
Computer mainframe	- over terms up to five years on an annuity basis
Other computer and ancillary equipment	- over three years, on a straight-line basis
Furniture and fixtures	- over 10 years, on a straight-line basis
Leasehold improvements	- over terms of leases, on a straight-line basis

c) Revenue recognition:

Revenue from fixed price contracts for data processing services is recognized over the terms of the respective contracts. Some contracts contain credit and/or penalty provisions based on actual resource usage relative to established limits. Such credits or penalties are included in revenue.

d) Income taxes:

The Corporation is exempt from federal and provincial income taxes.

2. Significant accounting policies (continued)

e) Sinking funds:

Payments made to sinking funds with respect to retirement provisions of the sinking fund debentures will be carried until such time as the debentures are redeemed. Interest earned on the sinking funds is recorded as income.

f) Foreign currency translation:

Debt due in foreign currency is translated to Canadian dollars at the exchange rate prevailing at year end. Any gain or loss on translation is deferred and amortized over the remaining term of the debt, including the current year.

3. Capitalization of leases

Included in fixed assets is computer equipment recorded at a cost of $13,344,000 (1985 - $11,360,000) arising from the capitalization of certain leases. The related accumulated depreciation amounts to $6,937,000 (1985 - $4,028,000).

4. Borrowing authority

Pursuant to section 8(6) of the System Act, the Corporation may be advanced or borrow up to $65,000,000. In computing that amount the aggregate net rentals payable by the Corporation under leases of personal property for a term exceeding one year shall be excluded.

5. Notes payable, Province of British Columbia

Notes payable to the Province of British Columbia bear interest at rates ranging from 9.95% to 11.48% and maturing at various dates to September 15, 1986.

6. Long-term debt

a) Lease capitalization:

The minimum annual contractual obligations with respect to capitalized leases are as follows:

1987	$3,908,000
1988	2,604,000
1989	720,000
1990	388,000
1991	103,000
	7,723,000
Less imputed interest at an average annual rate of 13.5%	1,160,000
Capitalized lease obligations	6,563,000
Less current portion	3,310,000
Long-term portion	$3,253,000

C. Long-term debt (continued)

b) Other:

	Interest Rate	Maturity Date	Amount
Sinking fund debentures:			
Canada Pension Plan - Series 1	15.69%	2002	$12,441,000
Canada Pension Plan - Series 2	16.10%	2002	11,206,000
Private placement debt for U.S. $11,400,000 repayable in U.S. dollars (see below)	16.88%	1987	15,912,000
			39,559,000
Less current portion			16,491,000
Long-term portion			$23,068,000

Annual maturities and mandatory sinking fund requirements for each of the next five years and thereafter are as follows:

	Sinking fund payments	U.S. debt	Total
1987	$ 579,000	$15,912,000	$16,491,000
1988	579,000		579,000
1989	579,000		579,000
1990	579,000		579,000
1991	579,000		579,000
Thereafter	20,752,000		20,752,000
	$23,647,000	$15,912,000	$39,559,000

The deferred foreign exchange loss on translation of the U.S. dollar debt to Canadian dollars amounted to $628,000 (1985 - $1,040,000), after charging $779,000 (1985 - $368,000) for amortization in the year.

c) Note payable:

The Corporation has the following financial arrangements with National Trust Company:

Note	Interest rate	Maturity date	Amount
BCSC-1	0.75% less than average bank prime, calculated quarterly	1988	$10,000,000

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt issued by the Corporation.

7. Net income

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

8. Change in fixed asset life estimates

During the year, the Corporation reviewed the estimated useful life assigned to certain communications equipment used in its network services. Because of changing technology and other factors, this equipment is being replaced in less than the 3 year term assigned for depreciation purposes and is considered to be more in the nature of supplies than capital assets. Accordingly, purchases of such equipment are now expensed, and all such items on hand from previous years have been written off. The value of such equipment expensed in the current year is $230,000 and is included in equipment rental and maintenance. The net book value of prior years' purchases, written off this year, is $614,000, and is included in depreciation.

9. Lease commitments

The Corporation leases some of its premises and computer equipment for periods of up to five years.

The minimum annual contractual obligations of non-cancellable leases are as follows (excluding amounts relating to capitalized leases):

1987	$740,000
1988	$685,000
1989	$555,000
1990	$240,000
1991	$155,000

10. Pension and superannuation plans

Until the Corporation establishes a pension or superannuation plan, the Public Service Superannuation Act applies to the Corporation and its officers and employees. The Corporation is obliged to contribute to the Public Service Superannuation Fund.

11. Facilities management contract

The Corporation is committed under a facilities management contract with Hi-Tech Systems Ltd., a private company owned and operated by former employees of the Corporation. Under the terms of the contract, the company provides the Corporation with services related to the operation of its central computer operation for a 25 month period commencing September 1, 1984. The contract provides for a one year renewal option, exercisable by the Corporation, and negotiations on a renewal are currently in process.

12. Contingent liability

The Corporation's contract with its employees, represented by the B.C. Government Employee Union, expired October 31, 1985. Negotiations for a new contract are still in process. No provision has been made in these financial statements for the impact, if any, that the new contract might have on the fiscal year ended March 31, 1986.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the method of presentation adopted in 1986. In particular, the 1985 statement of changes in financial position has been restated in accordance with the cash basis format used in 1986.

DIVISIONAL REPORTS

SHARED SERVICES

The year 1985/86 was one of significant achievement for the Shared Services Division. Several large, major projects were completed, and growth in demand for network and mainframe processing services exceeded expectations. Another important development was the merging of the Security Services Branch into the Division.

The rate restructuring project, started in November 1984, was completed in January 1986, resulting in an improved pricing structure to be effective April 1986. The burdens of a network subsidy and excessive corporate overheads were removed from mainframe processing rates, resulting in a 30% reduction in service rates. Unbundling the network caused a rate increase of 130%, but the combined effect of both actions was an overall reduction in rates of about 20%. A simplification of the rate restructure was also implemented.

Another project started in late 1984 was the pilot network for non-SNA distributed systems. In co-operation with the Advanced Systems Centre, Network Services developed a shared network for use with DEC, Wang, HP, Tandem and other mini computers. In conjunction with the Telecommunications Service Branch, this network, called D-Net, was announced in March as a formal BC Systems network service, to complement the highly successful IBM-based SNA network.

In the area of data base systems, the Data Base Applications Services group initiated a lengthy project to develop a relational data base product for the mainframe area. Initial implementation took place during 1985/86, with limited production anticipated in the Fall of 1986. This group also carried out a major conversion of a financial application system to IMS (Information Management System).

The reporting year was also a year of growth. Several large client applications were put into production during the Fall. These new systems, combined with growth in existing applications, resulted in a 50% increase in IMS (Information Management System) transactions and a 15% increase in TSO (Time Sharing Option) usage. Processor usage grew overall by almost 25%, while disk storage increased by over 40%. The SNA network added approximately 1000 new terminals, representing a growth rate of 25%. Revenues from mainframe and network services were well above the forecast.

To satisfy the client requirements for additional capacity, the Shared Services Division acquired an additional processor in the fall, as well as a large quantity of disk equipment to handle a conversion from older, unreliable equipment plus significant growth. A second laser printer was ordered for installation in March. Network growth in the interior of the province was such that two remote front ends were justified for the Prince George and Kelowna Regional Network Centres. The sharing resulting from front end consolidation helped reduce the expense of communications in the BC interior. Further levels of sharing were also implemented by adding additional secondary network centres during 1985/86.

In pursuing the objective of providing highly secure data processing services, the Security Services Branch continued to upgrade the security features of our shared mainframe and distributed data processing services. The Branch also made itself available to provide professional security services to Ministry clients.

During a year of rapid growth with the change required to accommodate it, the Shared Services Division was able to maintain its high standard of service levels for reliability and performance through the efforts of its facilities management contractor. Reductions in the cost of facilities management were also achieved during 1985/86.

In summary, 1985/86 was a year of returned growth in mainframe processing and a continuation of the high growth in network services. The Shared Services Division was able to respond to this demand with additional capacity to ensure that top quality service was delivered to its clients.

ADVANCED SYSTEMS

The division streamlined its services to government during the year. At the start of the year, we were committed to support five computing product lines. By year-end we had reduced to four and, by concentrating our efforts on the services that were most required, we had doubled our revenues. We feel that three of our remaining product lines are mature and self-sustaining—our IBM 4300 service, our Digital VAX services and our IBM 8100 service. The fourth product line from Wang is growing rapidly and is soon expected to be a viable product line on its own.

Particularly successful was our expanding support of Digital VAX computers. We increased our support team from two to ten, and doubled our computing capacity at customer request. Revenues increased almost ten-fold. Our success has come from knowing our customers' needs for VAX services particularly well and being flexible in stepping up to the effort required to provide the service. Towards the end of the year we were gratified to find that our clients were asking us to install additional computing capacity to support their new programs.

Our IBM 4300 team provided excellent support to Expo 86. We transferred our electronic mail system to the Expo machine, agreed to support their computers with our software and specialist staff and improved security to handle possible overload during the Fair. With the same size staff as before, the 4300 team supported twice as many users and twice the computing power as the previous year. The team also installed two new computers and new security and graphics software.

The IBM 8100 group had a busy year installing seven new machines on client premises as well as developing and installing new software to provide such functions as electronic mail and the ability for users to write their own programs to access data on their files.

Although the Division relinquished its responsibility for Education and the corporate Library as part of the streamlining process, a firm foundation for the future success of these activities was laid during the year. The Library has developed an excellent capability to respond to both staff and client requests about almost any computing subject. Like many other support services from the Advanced Systems Centre the Library is reachable by electronic mail so librarians can transmit replies swiftly to researchers. The Education Department installed a specialized training centre for Wang products that complements our current IBM training capability and which is proving very popular with Ministry clients. To promote proper use of new technology an 'Infoplace' was installed where products that might be helpful in improving productivity are on display and can be investigated thoroughly by clients before any purchase is made.

Throughout the year we saw an increase in our services to office users. Electronic mail is a service our government clients need and which can be very cost effective compared to paper mail. There are now about 2,000 electronic mail users in our client base. We foresee a major effort on our part in the coming year to integrate different mail systems using our shared networks and shared processing services.

Next year we expect to see a continued strong demand for our services. We will continue to provide the "testbed" capability for trying out new client systems at minimal cost as we have in the past. We will also improve each product line and make our services into fully secure production data centres.

CLIENT SERVICES & CORPORATE PLANNING

The year 1985/86 was a year of high activity and accomplishment for the Client Services and Corporate Planning Division.

Professional Services

The Division provided professional services to ten ministries. These services are provided by highly skilled systems professionals assigned to work in Information System Branches (ISB's) located at ministry sites, under long term secondment arrangements. Over the course of the year, the Division's ISB staff assisted ministries in a variety of ways such as:

- assistance in the development of Information Systems Plans
- provision of planning and management skills to assist ministries in the management and implementation of several new application systems. (In such cases, actual development of the new systems was done primarily by private sector companies.)
- emergency maintenance and minor enhancements to existing ministry application systems.
- operation of computing equipment located at ministry sites.

A measure of the success of the achievements of our ISB staff is the number of positive letters received from ministry clients expressing satisfaction, and indicating their intent to continue with such staffing arrangements on into the future.

Products Services

Toward the end of 1985/86, a Product Services group was established. Primary responsibility of this group is to interface with the Corporation's clients regarding their present and future service requirements. An example of the type of activity carried out by this group was a series on indepth presentations to clients to discuss and explain in detail the impact of the Corporation's new rate schedule.

Planning

The Client Services and Corporate Planning Division was very active in the coordination and planning of the products and services offered by BC Systems Corporation. A major accomplishment was the review, refinement and redefinition of the Corporation's product and service offerings. Following this, progress was made in the development of literature describing the Corporation's offerings. This literature will assist clients in selecting those products and services which will best meet their requirements.

The Division was also active in corporate planning. The major accomplishment here was coordination of the development of the 1986/87 Operating Plan together with a long range Corporate Plan, including long range product and service direction.

In addition to these direct responsibilities, staff from the Client Services and Corporate Planning Division provided valuable assistance in the development of the Information Systems Management Framework Policy and Standards documents referenced elsewhere in this report.

In all, then, 1985/86 was a highly challenging and successful year for the Division. The positive response received from clients regarding our initiatives indicates that the Division was "doing things right", as well as "doing the right things".

CLIENT SERVICES AND HUMAN RESOURCES

Considerable growth and diversification of the Client Services and Human Resources Division occurred in 1985/86. The Division includes Information Systems Branch Staffing, Central Information Systems, the Vancouver Office, and the Human Resources and Employee Development Services Branches.

Information Systems Branch Staffing

The Division provided assistance to seven ministries by seconding systems professionals full-time to staff positions within Ministry Information Systems Branches.

Over the past year a total of 16 management, 42 technical staff and 6 Co-op students were seconded to the Ministries of Consumer and Corporate Affairs (including the Liquor Distribution Branch), Education, Finance, Labour, Provincial Secretary (including the Superannuation Commission), Industry and Small Business Development.

These 58 staff were integrally involved in the formulation and achievement of the annual systems plan for their ministries, working in partnership with ministry staff and private sector contractors to ensure successful delivery of programs.

The response of our clients to these services has been very positive.

Central ISB

In January, the Common Systems Branch was merged into the Central Information Systems Branch. The new Central ISB is responsible for providing part time but continuous ISB services to the smaller ministries, fostering a cooperative approach to common systems across government and providing a range of professional services to assist clients on a special assignment basis. Three professionals, including a director and two technical staff, provided all ISB services on a part time secondment basis to the Ministries of Municipal Affairs and Tourism.

Special project work was completed for the Ministries of Intergovernmental Relations and Industry and Small Business Development. In the former this resulted in the creation of a multi-year Information Systems Plan for the Ministry.

The Branch assisted directly in the successful implementation of the Walker Interactive Financial System within the OCG and six ministries and coordinated a Walker User Group. Application technical support to the MSA payroll, GL, financial systems was provided to four ministries and two Crown Corporations with assistance of a private sector support team.

A seven-ministry User Group for a microcomputer-based financial application package was also coordinated.

The Branch assisted the Government Personnel Services Division in the evaluation of alternative personnel systems and coordination of a series of user demonstrations of systems currently operational in ministries.

Through the efforts of the Branch's Development Center a series of seven handbooks on priority systems management issues was produced. A number of automated project management and systems development aids were pilot-tested and made available to ISB staff.

Vancouver Office

In recognition of the fact that 25% of the Corporation's revenue and 20% of its staff are based in the lower mainland a decision was made to enhance the corporate presence in Vancouver. A Vancouver Director was appointed and a broad range of headquarters services are being provided to the 60 plus employees working in the lower mainland. The Vancouver Office is also maintaining an active program of client support including education and product demonstrations.

Human Resources and Employee Development Services

Throughout 1985/86 the Human Department continued to provide a full range of services in the area of labour relations, recruitment, compensation and benefits administration, and employee relations. Active

participation in the Co-op Student Program with local post secondary institutions resulted in an increase from 6 students in 1985 to 23 in the most recent semester.

A moderate increase in staffing activities resulted in a net increase of 15 staff over the year from 357 to 366. Of these, headquarters staff was reduced by 8 while staffing of ISB increased by 23.

Employee Participation

A variety of activities were launched to enhance employee participation in corporate decision-making. A first step was the completion of an all-employee survey to gather suggestions and identify areas of concern.

Five action teams were formed to examine specific priority areas and to present recommendations to the Executive.

The Corporate Philosophy Action Team resulted in an approved and widely-distributed corporate philosophy whose cornerstones are:

- We strive for excellence in our business endeavours.
- People are our number one resource.
- We strive to be good corporate citizens.

The Vancouver/Victoria Relations Action Team resulted in acceptance of a variety of recommendations to enhance staff and client support in the lower mainland, including the renovation and staffing of the Vancouver headquarters office.

The Headquarters/ISB Relations Action Team made a range of valuable recommendations to improve communication and involvement of seconded staff, most of which have now been implemented, including the reinstatement of "Printout", the employee newsletter.

The Non-Monetary Compensation Action Team resulted in the creation of an Employee Recognition Program to honour outstanding performance. This program is now in full operation.

The Quality Circle concept of employee participation was also formally initiated this year. Two Quality Circles are now in active operation, one in the database application services and another in the secretarial group.

Employee training and development continued to be essential corporate activities, ensuring our capability to meet the constantly evolving technological demands with quality professional services. Throughout the year an active and diverse program of education was made available to management and staff both in-house and through participation in externally delivered programs.

FINANCE AND ADMINISTRATION

During 1985/86 the following functions were consolidated within the Finance and Administration Division: contracts and purchasing, inventory control, payroll, office administration, building management, and financial services.

The confirmation of the Corporation's service mandate and the move to competitive pricing necessitated a change in approach to financial management. A long term view was developed by completing a five year financial plan. The plan addressed the issues of competitive product pricing, long term debt reduction and capital requirements for growth.

The Division was successful in negotiating a three-year fixed price building management contract with the BC Buildings Corporation. Also, a long term lease was entered into with the Buildings Corporation, the result of which the BC Systems building is now fully occupied.

Our objective for the coming year is to further strengthen existing financial operations and to implement new levels of reporting and analyses. We are committed to innovation and excellence in the development of client and management information.

We have a dedicated and highly experienced staff of financial administrative personnel with average service of more than five years. Their performance has enabled us to make impressive gains in 1985/86. We expect to move ahead steadily in 1986/87 and are confident that together we can assist the Corporation in further strengthening its financial position.